

2005

Understanding Wisconsin Taxes

Teacher's Tax Guide

Prepared by:

Wisconsin Department of Revenue
November, 2005

Teacher's Tax Guide

This program covers how to complete Wisconsin Forms WI-Z and 1A. The lessons are intended to assist persons who:

- are single
- full-year residents of Wisconsin
- under 65 years of age
- have income from no sources other than wages, interest and dividends
- have no deductions, such as for contributions to IRAs and employee business expenses
- have no dependents
- did not pay rent or property taxes
- have no credits other than withholding

Students will need a Student Tax Guide and if they worked during the year, the state copy of their W-2. If they filed a Wisconsin return for an earlier year, they may have received a state income tax booklet in the mail. This booklet should be brought to class.

These lessons are intended to be given after students have completed the Internal Revenue Service program "Understanding Taxes." Students should complete their federal return prior to completing the Wisconsin return because some information reported on the Wisconsin return is taken directly from the federal return.

TeleFile

All taxpayers that qualify may now use TeleFile. See page 25 of the 1A, WI-Z, and TeleFile tax booklet for more information on TeleFile.

Wisconsin Free-File

Most students not participating in the TeleFile program will qualify for Wisconsin Free-File or one of the other free e-filing services provided on the Wisconsin Department of Revenue's web site. Free-File requires a previously filed return to be on file. Instructions for accessing these e-filing services are provided in the Student Tax Guide.

Ordering Income Tax Forms

Telephone: 1-608-266-1961

Internet: www.dor.state.wi.us

Click-on the *Forms* link. When the *Forms Page* displays, **click-on** the *Request Form* link at the bottom of the page. When the *Forms and Publications Request* page displays, choose *Other Government* for the *Order Type*.

Mail: DOR Forms Request
Mail Stop 1-151
PO Box 8949
Madison WI 53708-8949

Important! Include the name of the high school and the address to which the forms should be sent. If ordering by mail, include your name and daytime telephone number.

If you have questions about this program, call Harold Blaize at (608) 266-2024 or write to the Wisconsin Department of Revenue, Audit Bureau, PO Box 8910, Madison, Wisconsin 53708-8910.

Tip Please remind students to be careful to use their Wisconsin withholding. A common error on returns is entering FICA tax or federal income tax withholding.

Solutions to Questions and Problems Found in the Student Tax Guide

Lesson 3 – Who Must File and Why

- Question 1 Yes. Gross income (\$8,500) is more than \$8,170. This person can be claimed as a dependent.
- Question 2 No. Gross income (\$8,900) is less than \$9,000. This person cannot be claimed as a dependent.
- Question 3 No. Gross income (\$4,300) is less than \$9,000. This person cannot be claimed as a dependent.
- Question 4 Yes. Gross income of \$850 is more than \$800 and includes at least \$251 of nonwage income. This person can be claimed as a dependent.

Lesson 4 – Which Form Should You File?

- Question 1 Form WI-Z – only if they filed federal Form 1040EZ.
- Question 2 Form 1A. Dividend income, except for Alaska Permanent Fund dividends, cannot be reported on Federal Form 1040EZ.
- Question 3 Form 1A. Taxpayer cannot file federal Form 1040EZ because taxpayer has more than \$1,500 interest income. Therefore, taxpayer cannot file Wisconsin Form WI-Z.
- Question 4 Form 1A. Taxpayers with interest income from state, municipal or U.S. bonds cannot use Form WI-Z.

Notes to Exercises 5 and 6

Please inform students that they should not use the facsimile forms included in this package to prepare actual income tax returns. The forms provided with this package will not scan properly. These forms are intended only for use with exercises 5 and 6.

Students who can be claimed as dependents must use the Standard Deduction Worksheet for Dependents. Exercises 5 and 6 require the use of this worksheet.

Lesson 5 – Form WI-Z — Step by Step

Form WI-Z Problem

See attached completed Form WI-Z for Joe Day.

Standard Deduction Worksheet for Dependents

A. Wages, salaries, and tips from line 1 of Form 1A. (Do not include taxable scholarships or fellowships not reported on a W-2)		A. <u>1,950.00</u>
B. Addition amount		B. <u>250.00</u>
C. Add lines A and B. If total is less than \$800, fill in \$800		C. <u>2,200.00</u>
D. Using the amount on line 12 of Form 1A, fill in the standard deduction for your filing status from table, page 16		D. <u>8,170.00</u>
E. Fill in the SMALLER of line C or D here and on line 14 of Form 1A.		E. <u>2,200.00</u>

Worksheet for Computing Wisconsin Sales and Use Tax

1. Total purchases subject to Wisconsin sales and use tax (i.e., purchases on which no sales and use tax was charged by the seller)	\$	<u>364.00</u>
2. Sales and use tax rate (see rate chart below)	x	<u>5.5%</u>
3. Amount of sales and use tax due (line 1 multiplied by tax rate on line 2). Round this amount to the nearest dollar and fill in on line 26 of Form 1A (line 13 of Form WI-Z) .	\$	<u>20.02</u>

Sales and Use Tax Rate Chart

In all Wisconsin counties except those shown in a through c below, the tax rate was 5.5% for all of 2005.

- a. If storage, use, or consumption in 2005 was in one of the following counties, the tax rate was 5.6%:

Milwaukee Ozaukee Washington

- b. If storage, use, or consumption in 2005 was in one of the following counties, the tax rate was 5.1%:

Racine Waukesha

- c. If storage, use, or consumption in 2005 was in one of the following counties, the tax rate was 5%:

Calumet	Fond du Lac	Menominee	Sheboygan
Clark	Kewaunee	Outagamie	Winnebago
Florence	Manitowoc	Rock	

Lesson 6 – Form 1A — Step by Step

Form 1A Problem

See attached completed Form 1A for Susan Black.

Standard Deduction Worksheet for Dependents

A. Wages, salaries, and tips from line 1 of Form 1A. (Do not include taxable scholarships or fellowships not reported on a W-2)	A. <u>5,300.00</u>
B. Addition amount	B. <u>250.00</u>
C. Add lines A and B. If total is less than \$800, fill in \$800	C. <u>5,550.00</u>
D. Using the amount on line 12 of Form 1A, fill in the standard deduction for your filing status from table, page 16	D. <u>8,170.00</u>
E. Fill in the SMALLER of line C or D here and on line 14 of Form 1A	E. <u>5,550.00</u>

Worksheet for Computing Wisconsin Sales and Use Tax

1. Total purchases subject to Wisconsin sales and use tax (i.e., purchases on which no sales and use tax was charged by the seller)	\$	<u>146.00</u>
2. Sales and use tax rate (see rate chart below)	x	<u>5.6%</u>
3. Amount of sales and use tax due (line 1 multiplied by tax rate on line 2). Round this amount to the nearest dollar and fill in on line 26 of Form 1A (line 13 of Form WI-Z) .	\$	<u>8.18</u>

Sales and Use Tax Rate Chart

In all Wisconsin counties except those shown in a through c below, the tax rate was 5.5% for all of 2005.

- a. If storage, use, or consumption in 2005 was in one of the following counties, the tax rate was 5.6%:

Milwaukee Ozaukee Washington

- b. If storage, use, or consumption in 2005 was in one of the following counties, the tax rate was 5.1%:

Racine Waukesha

- c. If storage, use, or consumption in 2005 was in one of the following counties, the tax rate was 5%:

Calumet	Fond du Lac	Menominee	Sheboygan
Clark	Kewaunee	Outagamie	Winnebago
Florence	Manitowoc	Rock	

Complete form using **BLACK INK**

2005

Place label here or print

Your social security number	Spouse's social security number
987 00 4321	

Your legal last name	Legal first name and middle initial
WI ID#: 987-99-9999	
DAY	
JOSEPH K.	6543
615 POPLAR DR	
MADISON WI 53505	

State election campaign fund
If you want \$1 to go to the State Election Campaign Fund, check box(es). ☐ You ☐ Your spouse
Checking the box(es) will not change your tax or refund.

Tax district
Check proper box and fill in name of city, village, or town, and the county in which you lived at the end of 2005.
☒ City ☐ Village ☐ Town

Fill in name **Madison**

County of **Dane**

School district Fill in your school district number (see page 24) **3269**

Filing status

(check only one box)

☒ Single

☐ Married filing joint return (even if only one had income)



ENCLOSE withholding statements

PAPER CLIP check or money order here

1	Income from line 4 of federal Form 1040EZ	1	2,250.00
2	If your parent (or someone else) can claim you (or your spouse) as a dependent, check here	2	<input checked="" type="checkbox"/>
3	Fill in the standard deduction for your filing status from table, page 16. But if you checked the box on line 2, fill in the amount from worksheet on back	3	2,200.00
4	Subtract line 3 from line 1. If line 3 is larger than line 1, fill in 0	4	50.00
5	Deduction for exemptions. Fill in \$700 (\$1,400 if married, or 0 if you checked the box on line 2 – see instructions on back)	5	0.00
6	Subtract line 5 from line 4. If line 5 is larger than line 4, fill in 0. This is your taxable income	6	50.00
7	Tax. Use amount on line 6 to find your tax using table, page 17	7	3.00
8	School property tax credit		
8a	Rent paid in 2005 – heat included .00	Find credit from table page 9... 8a	.00
	Rent paid in 2005 – heat not included .00		
8b	Property taxes paid on home in 2005 .00	Find credit from table page 10. 8b	.00
9	Working families tax credit – if line 1 is less than \$10,000 (\$19,000 if married filing joint), see page 10	9	.00
10	Married couple credit. Wages 10a Yourself .00		
	(see instructions on reverse side) 10b Spouse .00		
10c	Fill in smaller of 10a or 10b but no more than \$16,000 .00 x .03 =	10c	.00
11	Add credits on lines 8a, 8b, 9, and 10c	11	0.00
12	Subtract line 11 from line 7. If line 11 is larger than line 7, fill in 0. This is your net tax	12	3.00
13	Sales and use tax due on out-of-state purchases (see page 11)	13	20.00
14	Endangered resources donation (decreases refund or increases amount owed)	14	10.00
15	Packers football stadium donation (decreases refund or increases amount owed)	15	.00
16	Breast cancer research donation (decreases refund or increases amount owed)	16	.00
17	Veterans trust fund donation (decreases refund or increases amount owed)	17	.00
18	Add lines 12 through 17	18	33.00

19 Amount from line 18 19 33.00
 20 Wisconsin income tax withheld. Enclose readable withholding statements 20 50.00
 21 If line 20 is larger than line 19, subtract line 19 from line 20 This is **YOUR REFUND** 21 17.00
 22 If line 19 is larger than line 20, subtract line 20 from line 19 ... This is the **AMOUNT YOU OWE** 22 .00

Sign below Under penalties of law, I declare that this return is true, correct, and complete to the best of my knowledge and belief.

Your signature Joseph Day Spouse's signature (if filing jointly, BOTH must sign) _____ Date 2-10-2006

Mail your return to: Wisconsin Department of Revenue
 If refund or no tax due PO Box 59, Madison WI 53785-0001
 If tax due PO Box 268, Madison WI 53790-0001

For Department Use Only

R	M	Y	T	MAN	D	A	P	C			
		05									



INSTRUCTIONS

Read "Which Form to File for 2005" on page 2 of the Form 1A instructions to see which form is right for you.

Prepare one copy of Form WI-Z for your records and another copy to be filed with the Department of Revenue.

Filling in Your Return Use black ink to complete the copy of the form that you file with the department. Round off cents to the nearest dollar. Drop amounts under 50¢ and increase amounts from 50¢ through 99¢ to the next dollar. If completing the form by hand, do not use commas when filling in amounts.

Name and Address If a label with your name is on the front cover, remove the label and place it in the name and address area of the tax return that you file. If your name or address is wrong, draw a line through the incorrect information and print the correct information clearly on the label. Do not use the label if your name is not on it.

If you do not have a label, print your legal name and address. If you filed a joint return for 2004 and are filing a joint return for 2005 with the same spouse, enter your names and social security numbers in the same order as on your 2004 return.

Line 2 Dependents Check the box on line 2 if your parent (or someone else) can claim you (or your spouse) as a dependent on his or her return. Check the box even if that person chose not to claim you.

Line 3 If you checked the box on line 2, use this worksheet to figure the amount to fill in on line 3.

A. Wages, salaries, and tips included in line 1 of Form WI-Z. (Do not include interest income or taxable scholarships or fellowships not reported on a W-2.) ... A.	<u>1,950.00</u>
B. Addition amount B.	<u>250.00</u>
C. Add lines A and B. If total is less than \$800, fill in \$800 C.	<u>2,200.00</u>
D. Fill in the standard deduction for your filing status using table, page 16 D.	<u>8,170.00</u>
E. Fill in the SMALLER of line C or D here and on line 3 of Form WI-Z E.	<u>2,200.00</u>

Line 5 A personal exemption is not allowed for a person who can be claimed as a dependent on someone else's return. If you are single and can be claimed as a dependent, fill in 0 on line 5. If you are married and both spouses can be claimed as a dependent, fill in 0 on line 5. If you are married and only one of you can be claimed as a dependent, fill in \$700 on line 5.

Lines 8a and 8b School Property Tax Credit You may claim a credit if, during 2005, you paid rent for living quarters used as your primary residence OR you paid property taxes on your home. See the instructions for lines 20a and 20b of Form 1A. The total credits on lines 8a and 8b cannot exceed \$300.

Line 9 Working Families Tax Credit You may claim a credit if line 1 of Form WI-Z is less than \$10,000 (\$19,000 if married filing a joint return). But, you cannot claim a credit if you can be claimed as a dependent on another person's return. See the instructions for line 21 of Form 1A.

Line 10 Married Couple Credit If you are married and you and your spouse were both employed in 2005, you may claim the married couple credit. Complete the following steps:

- (1) Fill in your 2005 wages on line 10a. Fill in your spouse's wages on line 10b.
- (2) Fill in the smaller of line 10a or 10b (but not more than \$16,000) in the space provided on line 10c.
- (3) Multiply the amount determined in Step 2 by .03 (3%).
- (4) Fill in the result (but not more than \$480) on line 10c.

Line 13 Sales and Use Tax Due on Out-of-State Purchases If you made purchases from out-of-state firms during 2005 and did not pay a sales and use tax, you may owe Wisconsin sales and use tax. See the instructions for line 26 of Form 1A.

Line 14 Endangered Resources Donation Your donation supports the preservation and management of more than 200 endangered and threatened Wisconsin plants and animals. Fill in line 14 for the amount you wish to donate.

Line 15 Packers Football Stadium Donation You may designate an amount as a Packers football stadium donation. Your donation will either reduce your refund or be added to tax due.

Line 16 Breast Cancer Research Donation You may designate an amount as a breast cancer research donation. Your donation will either reduce your refund or be added to tax due.

Line 17 Veterans Trust Fund Donation You may designate an amount as a veterans trust fund donation. Your donation will either reduce your refund or be added to tax due.

Line 20 Wisconsin Income Tax Withheld Fill in the total amount of Wisconsin income tax withheld as shown on your withholding statements (W-2s). **Do not include income tax withheld for any state other than Wisconsin.**

Line 21 or 22 Fill in line 21 or 22 to determine your refund or amount you owe. If you owe an amount, write your social security number on your check or money order. Paper clip it to Form WI-Z. See page 14 for information on paying by credit card.

Sign and Date Your Return Form WI-Z is not a valid return unless you sign it. If married, your spouse must also sign.

Attachments and Enclosures Enclose a copy of each of your withholding statements. If you owe an amount with your return, paper clip your payment to the front of Form WI-Z. See Form 1A instructions for other attachments that may be required. Do not attach a copy of your federal return.

Place label here or print

Your social security number 987 00 2080	Spouse's social security number
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Your legal last name Black		Legal first name and middle initial Susan A		State election campaign fund If you want \$1 to go to the State Election Campaign Fund, check box(es). <input type="checkbox"/> You <input type="checkbox"/> Your spouse Checking the box(es) will not change your tax or refund.
If a joint return, spouse's legal last name		Spouse's legal first name and middle initial		
Home address (number and street) 601 Turnbolt Street				Tax district Check proper box and fill in name of city, village, or town, and the county in which you lived at the end of 2005. <input checked="" type="checkbox"/> City <input type="checkbox"/> Village <input type="checkbox"/> Town Fill in name Oak Creek
City or post office Oak Creek		State WI	Zip code 53154	
Filing status <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married filing joint return (even if only one had income) <input type="checkbox"/> Head of household (with qualifying person). Also, check here if married. <input type="checkbox"/> Fill in qualifying person's name				County of Milwaukee School district Fill in your school district number (see page 24) 4018

ENCLOSE withholding statements


1	Wages, salaries, tips, etc. (see page 4)	1	5,300.00
2	Interest (see page 5)	2	450.00
3	Ordinary dividends (from line 9a of federal Form 1040A or 1040)	3	.00
4	Capital gain distributions (see page 5)	4	.00
5	Unemployment compensation (from worksheet, page 5)	5	.00
6	Taxable IRA distributions, pensions and annuities, and social security benefits (see page 6)	6	.00
7	Add lines 1 through 6	7	5,750.00
8	Educator expenses (see page 7)	8	.00
9	IRA deduction (see page 7)	9	.00
10	Student loan interest deduction	10	.00
11	Add lines 8, 9, and 10	11	0.00
12	Subtract line 11 from line 7. This is your Wisconsin income	12	5,750.00
13	If your parent (or someone else) can claim you (or your spouse) as a dependent, check here	13	<input checked="" type="checkbox"/>
14	Fill in the standard deduction for your filing status from table, page 16. But if you checked the box on line 13, fill in amount from worksheet, page 7	14	5,550.00
15	Subtract line 14 from line 12. If line 14 is larger than line 12, fill in 0	15	200.00
16	Deduction for exemptions (from line 6 of Exemption Worksheet, page 7)	16a	0.00
	b Fill in number of dependents (do not count yourself or your spouse)		You <input type="checkbox"/> Spouse <input type="checkbox"/>
	c If you (or your spouse if filing joint) were age 65 or over , check here		<input type="checkbox"/> <input type="checkbox"/>
17	Subtract line 16a from line 15. If line 16a is larger than line 15, fill in 0. This is your taxable income	17	200.00
18	Tax. Use amount on line 17 to find your tax using table, page 17	18	12.00
19	Armed forces member credit (must be stationed outside U.S., see page 8)	19	0.00
20	School property tax credit		
	a Rent paid in 2005-heat included .00	Find credit from table page 9	20a 0.00
	Rent paid in 2005-heat not included .00		
	b Property taxes paid on home in 2005 .00	Find credit from table page 10	20b .00
21	Working families tax credit, see page 10	21	0.00
22	Married couple credit. Complete schedule on reverse side	22	0.00
23	Add lines 19 through 22. This is the total of your credits	23	0.00
24	Subtract line 23 from line 18. If line 23 is larger than line 18, fill in 0. This is your net tax	24	12.00



PAPER CLIP payment here

25	Fill in net tax from line 24	25	12.00
26	Sales and use tax due on out-of-state purchases (see page 11)	26	8.00
27	Endangered resources donation (decreases refund or increases amount owed) 	27	.00
28	Packers football stadium donation (decreases refund or increases amount owed) 	28	.00
29	Breast cancer research donation (decreases refund or increases amount owed) 	29	.00
30	Veterans trust fund donation (decreases refund or increases amount owed) 	30	.00
31	Add lines 25 through 30	31	20.00
32	Wisconsin income tax withheld. Enclose withholding statements ...	32	150.00
33	2005 estimated tax payments and amount applied from 2004 return .	33	.00
34	Earned income credit (see page 12) Qualifying Federal children ▶ credit	34	.00
35	Homestead credit. Attach Schedule H or H-EZ	35	.00
36	Eligible veterans and surviving spouses property tax credit	36	.00
37	Add lines 32 through 36	37	150.00
38	If line 37 is more than line 31, subtract line 31 from line 37. This is the AMOUNT YOU OVERPAID	38	130.00
39	Amount of line 38 you want REFUNDED TO YOU	39	130.00
40	Amount of line 38 you want applied to your 2006 estimated tax . . .	40	.00
41	If line 37 is less than line 31, subtract line 37 from line 31. This is the AMOUNT YOU OWE . .	41	.00
42	Underpayment interest. Also include on line 41	42	.00

Sign below Under penalties of law, I declare that this return and all attachments are true, correct, and complete to the best of my knowledge and belief.

Your signature	Spouse's signature (if filing jointly, BOTH must sign)	Date
		2-10-2006

Mail your return to: Wisconsin Department of Revenue
 If tax due PO Box 268, Madison WI 53790-0001
 If homestead credit claimed PO Box 34, Madison WI 53786-0001
 If refund or no tax due PO Box 59, Madison WI 53785-0001

For Department Use Only

R	M	Y	T	MAN	D	A	P	C			
		05									

Married Couple Credit When Both Spouses Are Employed

When completing this schedule, be sure to fill in your income in column (A) and your spouse's income in column (B)

		(A) YOURSELF	(B) YOUR SPOUSE
1 Wages, salaries, tips, and other employee compensation from line 1 of Form 1A. Do not include deferred compensation or scholarships and fellowships that are not reported on a W-2.	1	.00	.00
2 IRA deduction, if any, from line 9 of Form 1A	2	.00	.00
3 Subtract line 2 from line 1	3	.00	.00
4 Compare amounts in columns (A) and (B) of line 3. Fill in the smaller amount here. If more than \$16,000, fill in \$16,000 . . .	4		.00
5 Rate of credit is .03 (3%)	5		x .03
6 Multiply line 4 by line 5. Round the result and fill in here and on line 22 on reverse side	6	Do not fill in more than \$480	.00

